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CANADA: OUTLOOK FOR PRINCIPAL FIELD CROPS *July 19, 2018*

Market Analysis Group/Grains and Oilseeds Division
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This report is an update of Agriculture and Agri-Food Canada's (AAFC) June outlook report for the 2017-18 crop year and AAFC's perspective on the upcoming 2018-19 crop year. For most crops in Canada, the crop year starts on August 1 and ends on July 31, although for corn and soybeans, the crop year starts on September 1 and ends on August 31.

The **2017-18** crop year is drawing to a close and the marketing data to-date indicates that total exports of field crops from Canada should register slightly higher than last year at about fifty million tonnes (Mt), almost 55% of production. Higher exports of grains and oilseeds (G&O) are expected to more-than offset the lower exports of pulses and special crops (P&SC) such as peas and lentils. Carry-out stocks in Canada are expected to increase by 7 percent to 16.2 Mt from 15.1 Mt for 2016-17. Carry-out stocks of G&O are forecast to increase marginally while carry-out stocks for P&SC show a significant increase due to the decrease in exports. In general, abundant global supplies of grain have pressured world prices, but the weak Canadian dollar has provided strong support to prices in Canada.

For 2018-19, the forecasts for area seeded are based on the Statistics Canada June 29 Field Crop Survey which was conducted from May 11 to June 12 with 24,500 farms. The areas harvested are generally based on historical trends. The areas seeded to wheat and coarse grains are expected to increase and more-than offset the decrease in the area seeded to oilseeds, peas and lentils. The total area seeded to field crops in Canada is expected to be marginally higher than 2017-18. For all crops, average or trend yields have been assumed but that is subject to variability in temperature and moisture conditions before harvest. However, AAFC is currently forecasting a slight decrease in total production and supply in Canada. Carry-out stocks are forecast to decrease, largely due to the increase in exports. World grain prices will continue to be pressured by an abundant supply of grain at the global level. However, the impact on grain prices in Canada will continue to be partly mitigated by the low value of the Canadian dollar.

Canada: Principal Field Crops Supply and Disposition

	Area Seeded	Area Harvested	Yield	Production	Imports	Total Supply	Exports	Total Domestic Use	Carry-out Stocks
	— thousand hectares —		*t/ha*	*thousand tonnes*					
Total Grains And Oilseeds									
2016-2017	26,435	24,618	3.47	85,497	1,620	99,747	42,147	43,641	13,959
2017-2018f	27,142	26,323	3.26	85,753	2,356	102,067	44,913	42,609	14,545
2018-2019f	27,801	26,836	3.19	85,525	1,750	101,820	46,083	42,632	13,105
Total Pulse And Special Crops									
2016-2017	4,517	4,377	2.01	8,788	284	9,409	7,138	1,523	748
2017-2018f	3,927	3,897	1.90	7,402	229	8,378	4,975	1,778	1,625
2018-2019f	3,616	3,546	1.96	6,950	185	8,760	5,320	1,905	1,535
All Principal Field Crops									
2016-2017	30,952	28,995	3.25	94,285	1,903	109,155	49,286	45,164	14,706
2017-2018f	31,069	30,220	3.08	93,155	2,585	110,445	49,888	44,387	16,170
2018-2019f	31,417	30,382	3.04	92,475	1,935	110,580	51,403	44,537	14,640

Source: Statistics Canada (STC); f: forecast by AAFC except for area, yield and production for 2017-18 and area seeded for 2018-19 which are STC.

Durum

For 2017-18, Canadian durum supply decreased by 23% from 2016-17. Exports are forecast to fall slightly to 4.5 million tonnes (Mt), 0.1 Mt less than forecast in June. The forecast for exports includes exports of 0.4 Mt which do not go through Canadian Grain Commission (CGC) licensed facilities and are not included in the CGC weekly export data, and exports of semolina of 0.04 Mt. Feed, waste and dockage is expected to fall sharply due to the lower supply and the much better average quality of the 2017-18 crop compared to the previous year. Carry-out stocks are forecast to fall by 25% to 1.40 Mt, 23% higher than the past five-year average of 1.14 Mt.

World durum production decreased by 3.2 Mt from 2016-17 to 37 Mt, while supply fell by 2.5 Mt to 46.9 Mt, according to the International Grains Council (IGC). Use is expected to decrease by 1.8 Mt to 37.7 Mt, as higher food use is more-than offset by lower feed use. Carry-out stocks are forecast at 9.2 Mt, a decrease of 0.8 Mt. Durum production in the United States (US) fell to 1.49 Mt from 2.83 Mt for 2016-17.

The average Canadian crop year producer price for durum is forecast to fall from 2016-17 as support from the lower world, Canadian and US durum supply is more-than offset by the better average quality of the Canadian durum crop and the stronger Canadian dollar. Durum prices have been trending downwards from the beginning of the crop year until leveled off in March. Prices have fallen by about $35/tonne (t) since the peak in mid-August 2017.

For 2018-19, the area seeded to durum in Canada increased by 19% from 2017-18, according to Statistics Canada's (STC) seeded area report. The seeded area was 7% higher than in the STC seeding intensions report, which was released in April. Saskatchewan accounts for 80.6% of the total seeded area, Alberta for 19.2%, and Manitoba for 0.2%.

Production is forecast to increase by 23% to 6.1 Mt. The production forecast is 0.4 Mt higher than in the June report because of the higher seeded area.

Supply is expected to increase by 10%, as the higher production is partly offset by lower carry-in stocks. Exports are forecast to increase by 7% from 2017-18 because of the higher Canadian supply, Canada accounting for a larger portion of the total world supply and much better quality of the carry-in stocks compared to 2017-18. Carry-out stocks are forecast to rise by 29% to 1.8 Mt.

World durum production is forecast to increase by 1 Mt from 2017-18 to 38 Mt, while supply rises by only 0.3 Mt to 47.2 Mt because of lower carry-in stocks, according to IGC. Use is expected to increase by 0.4 Mt to 38.1 Mt because of higher food use and carry-out stocks are forecast to fall by 0.2 Mt to 9 Mt. Durum production in the US is forecast to increase to 2.04 Mt from 1.49 Mt.

The average Canadian crop year producer price for durum is forecast to fall from 2017-18 due to higher Canadian and world supply.

The main factor to watch is precipitation in the spring durum growing areas of the US northern plains and Canadian Prairies, which need timely rains.

Wheat (excluding durum)

For 2017-18, Canadian wheat supply rose by 5% from 2016-17. Exports are forecast to increase by 13% to 17.6 Mt, 0.1 Mt more than forecast in June. The exports forecast includes exports of 1.2 Mt which do not go through CGC licensed facilities and are not included in the CGC weekly export data, and exports of flour of 0.31 Mt. Domestic food use is forecast to increase slightly to 2.55 Mt while industrial use decreases by 11% to 0.65 Mt. Carry-out stocks are forecast to fall by 5% to 4.7 Mt, 1% lower than the past five-year average of 4.6 Mt.

World all wheat (including durum) production increased by 6 Mt to 758 Mt, according to the USDA. Supply grew by 19 Mt to 1,015 Mt due to the higher production and higher carry-in stocks. Total use is forecast to increase by 3 Mt to 742 Mt, as higher food use is mostly offset by lower feed use. Carry-out stocks are forecast to rise by 16 Mt to 273 Mt.

However, China accounts for 127 Mt of the stocks, an increase of 16 Mt from 2016-17. Wheat stocks in China are generally not exported. Excluding China, world all wheat stocks are expected to be unchanged at 146 Mt.

All wheat production in the US decreased by 15.4 Mt to 47.4 Mt, according to the USDA. Supply fell by 8.8 Mt to 83.8 Mt. Domestic use fell by 2.5 Mt and exports decreased by 4.1 Mt. Carry-out stocks fell by 2.2 Mt to 29.9 Mt.

Canadian wheat prices are forecast to be similar to 2016-17 as pressure from the higher world and Canadian supply and the stronger Canadian dollar is offset by support from the lower US supply. However, prices of high protein wheat are forecast to be higher due to stronger demand. Prices of high protein wheat, (CWRS 13.5 and CNHR 13.5) trended downward during harvest but recovered in November. Another downward trend started in December. Prices stabilized in February until another drop occurred in late March, but recovered in early April until another fall in late June. Prices are now about $35 per tonne lower than the peak in early August 2017. In contrast, prices of lower protein wheat classes (HRW, SRW, CPS and SWS) have increased since August.

For 2018-19, the area seeded to wheat in Canada increased by 8% from 2017-18 according to the STC seeded area report. The seeded area was 5% lower than in the STC seeding intentions report. Spring wheat area, which accounts for 92.5% of the total wheat area, increased by 6.4% from 2017-18, while winter wheat area fell by 10%.

Canada western hard red spring (CWRS) wheat accounts for 85.2% of the total spring wheat area, Canada Prairie spring (CPS) for 5.3%, Canada Northern Hard Red (CNHR) for 4.4 %, Canada western soft white spring for 1.7%, Canada western extra strong (CWES) for 0.5%, other Canada western spring for 1.2% and Canada eastern spring wheat (mostly CERS) for 1.7%.

Saskatchewan accounts for 42.8% of the total wheat area, Alberta for 34%, Manitoba for 15.7%, Ontario for 5.6%, Quebec for 1.2%, British Columbia for 0.4% and the Atlantic Provinces for 0.3%.

Production is projected to fall by 2% to 24.5 Mt due to a return to trend yields from the above trend yields of 2017-18. Supply is forecast to decrease by 3% as lower carry-in stocks compound the drop in production. Exports will be limited by the supply and therefore are forecast to fall slightly. Carry-out stocks are forecast to fall by 15% to 4 Mt.

World production is forecast to decrease by 22 Mt to 736 Mt, according to USDA. Supply is projected to fall by 5 Mt 1,010 Mt. Total use is expected to increase by 7 Mt to 749 Mt because of growing use for food. Carry-out stocks are forecast to fall by 12 Mt to 261 Mt. However, excluding China, world all wheat stocks are expected to fall by 21 Mt to 125 Mt.

All wheat production in the US is forecast to rise by 3.8 Mt to 51.2 Mt, according to USDA. Supply is projected to rise by 1Mt to 84.8 Mt. Domestic use is forecast to rise by 2.1 Mt and exports are forecast to increase by 2 Mt. Carry-out stocks are forecast to decrease by 2.7 Mt to 26.8 Mt.

The prices for high protein wheat in Canada for 2018-19 are forecast to be similar to 2017-18, as support from lower supply for the US and Canada is offset by a return to normal protein premiums because of higher hard red spring wheat production for the US. However, the prices for lower protein wheat are forecast to increase.

The main factors to watch are: the production volume of winter wheat in the US, the EU, Russia and Ukraine, where the harvest is in progress, and precipitation in the spring wheat growing areas of the US northern plains and Canadian Prairies, which need timely rains.

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Barley

For 2017-18, total domestic use is forecast to increase 7% with higher feed and industrial use. Total barley exports are forecast to increase by 22% or to a 10-year high due to the steady total supply, strong export to China and lower world barley supplies. Barley carry-out stocks are forecast to decrease by 53% to 1.0 million tonnes (Mt), to be the second lowest on record.

The higher than expected new crop Canadian barley area estimate will soften prices in the near term however stocks will remain on the tight side. Old crop values will remain very good compared to the same time last crop year.

US producer stocks are only 2% lower than last year but commercial stocks are 14% lower. Total US barley stocks are lower but not by a large amount and the remaining stocks are almost entirely of malt quality. Total North American stocks are lower and it will take into the new crop year for prices to grind higher with a forecast for a smaller total barley supply.

World barley prices have decreased over the past month, generally following the decline in world corn prices. Most Northern hemisphere regions that grow winter barley are into harvest and these supplies will soon be on the market.

For 2018-19, seeded area is forecast to increase by 13% from 2017-18, a slight rebound from record low seeded area. Production is forecast to increase 8% to 8.5 Mt due to the higher area seeded. Despite higher production, lower carry-in stocks will cause total supply to decrease by 5% to 9.6 Mt. Total domestic use is forecast to decrease by 1% due to slightly lower feed use but only a slight increase in industrial use. Exports are forecast to decrease by 15% due to lower total supplies, higher world supplies and a return to normal trade patterns. Carry-out stocks of barley are forecast to remain unchanged at 1.0 Mt. The Lethbridge cash feed barley price is forecast to increase slightly from 2017-18.

The combination of tight Prairie feed barley supplies and the sharp increase in prices has encouraged the additional area. All of the western provinces are showing higher barley area, led by Manitoba with a 25% increase from 2017. For 2017, both Alberta and Saskatchewan had smaller areas so 2018 represents a recovery in area seeded. Over the past few years Saskatchewan had been increasing its barley area and it is 16% higher than 17-18 and is 13% higher than its previous three-year average. Alberta continues to have the highest area seeded to barley.

The USDA June 30 Acreage report adjusted US barley area higher from the March report, US area is estimated to be 5% higher than 2017 with good growing conditions across the barley region. The US will have reasonable barley supplies for the first part of the crop year and, with a large crop on the way, prices will be only slightly higher for the new crop.

Corn

For 2017-18, total domestic usage is forecast to increase 6% due to increases to feeding, ethanol production and other industrial use such as starch. Exports are forecast to increase by 28% due to the higher Canadian total supply, lower world corn supply and continuing good demand from the western EU region. Carry-out stocks are forecast to increase by 12% to 2.45 Mt to a record high. The nearby Chatham corn price is forecast to increase due to higher US corn futures and a near to unchanged Canadian dollar.

The nearby US corn futures prices had fallen over US $0.50/bushel (bu) as the combination of US/China trade jitters, good US Corn Belt growing conditions and profit taking by traders with long positions all were bearish factors. The nearby Chatham corn price, after posting crop highs at the end of May, declined by nearly $20/tonne and only the weaker Canadian dollar was able to limit some of the decline.

The USDA Grain Stocks report showed US corn stocks to be 1.5% higher than at June 1, 2017 this was near most estimates considering the record sized crop. With the large supplies in 2017, a higher

portion of this increase is being held commercially. The US corn stock situation continues to grow but disappearance has been higher year-to-year. World corn prices also declined as the US corn futures fell and more Argentine and Brazilian corn came onto the market.

For 2018-19, seeded area is forecast to increase by 2% from 2017-18 due to steady prices and continued good overall demand. Production is forecast to increase to 14.5 Mt due to the higher area and the assumption for average yields. Imports are forecast to decrease by 33% due to the higher domestic supply. Despite near record carry-in stocks and higher production, the lower imports will cause total supply to decrease by 1% to 18.0 Mt. Total domestic usage is forecast to increase by 3% due to slight increases in ethanol production, industrial use and livestock feeding. Exports are forecast to decrease by 15% due to increased international competition. Carry-out stocks are forecast to decease by 14% but remain slightly above the previous five-year average. The nearby Chatham corn price is forecast to increase due to a projected higher US corn futures and a near to unchanged Canadian dollar.

The area seeded to corn in Canada is similar to last year. For Eastern Canada, their 2018 corn seeded area is up 2% when compared to 2017 and up 2% from the previous three and five-year averages. Manitoba continues to expand its corn and soybean areas and for 2018 it planted a record high corn area, 4% higher than 2017 and 25% higher than the previous five-year average. Corn growing conditions in Eastern Canada and Manitoba have been a slow start hampered by cool and wet conditions although have made good progress as conditions warmed in June.

The USDA Acreage Report showed US corn planted area to decrease 1.2% from 2017. However, this is an increase from the March report which showed area over one million acres lower. The US corn futures market will now quickly shift focus to the weekly US corn condition reports and anxiously await the corn pollination period for any slippage. For the US on-going trade issues could reduce US beef and pork exports for 18-19 creating burdensome domestic meat supplies on top of already higher expected feed costs and lower to nil profit potential.

For 2018, the world corn total supply is forecast to decrease and ending stocks will also decline as total use will be greater than production. World corn trade is expected to remain strong. Large crops are expected for the other top world exporting countries who will regain some of the market from the US.

Oats

For 2017-18, despite higher human consumption total domestic usage is forecast to decrease by 5% due to lower feed use. Oat grain and product exports, mainly to the US, are forecast to increase by a total of 1% to the highest level in three years. Carry-out stocks are forecast to increase by 39% to 0.98 Mt due to the higher total supply. The Canadian oat price is forecast to increase due to a higher forecasted US oat futures price and continuing support from the Canadian dollar.

On the Canadian prairies the cash oat basis levels have been near the previous five-year average when compared to the US oat futures. The US oat futures received a boost in June at the start of the new US cereal crop year and did well against the sharp decline in the US corn futures. Traders were holding a higher percentage of long positions and the offsets took the market lower. The weakening of the Canadian dollar starting the last-half of May was price supportive. The USDA Grain Stocks report showed US oat stocks to be lower than at June 1, 2017 although the market has seemed to be comfortable with these levels.

For 2018-19, seeded area is forecast to decrease by 5% from 2017-18 due to competition from other cropping choices. A return to an average rate of abandonment and yield will cause Canadian oat production to decrease by 7%. Offsetting the lower production is the increase in carry-in stocks which will allow total supply to remain unchanged. Total domestic usage is forecast to decrease by 4% due to lower feed use and flat human consumption. Oat grain and product exports are forecast to increase 3% due to tighter US oat supplies. Carry-out stocks are forecast to decrease but remain above the previous five-year average. The Canadian oat price is forecast to increase due to a higher forecasted US oat

futures price and a near to unchanged Canadian dollar.

The Stats Can Seeded Area report showed a downward adjustment in total oat area seeded compared to the April report. The 2018 area is about 5% lower than 2017 and lower than the previous three and five-year averages. The largest decline is in Saskatchewan which saw a decline of 15% from 2017. Offsetting some of the total decline was higher total area seeded in Eastern Canada which is 12% higher than last crop year.

In its June Acreage report, the USDA estimated 2018 US oat area to be 12% higher than 2017 and this is upward adjustment from the March estimate by 6%. The USDA is also estimating a lower rate of abandonment for US oats so this should in turn add to their harvested amount. Higher US 2018 oat production will pressure oat prices for the upcoming crop year.

Rye

For 2017-18, total domestic use is forecast to decrease mainly due to a lower feed use, despite a slight increase in the industrial use. Exports are forecast to increase by 13% due to the large supply and improved export demand to the US. Carry-out stocks are forecast to decrease by 8% to 0.15 Mt and remain well above all short and medium term averages. Prices are forecast to increase with smaller North American rye grain supplies and the general price increase to the coarse grain complex.

Growing conditions for the 2018 Canadian Prairie rye crop have been generally good despite a slow start with dry conditions but rainfall and warmer temperatures have improved the outlook. Old crop rye supplies remain high and an average new crop yield has the potential to lower the large supply by only a marginal amount.

As with last crop year North American rye stocks continue to remain high. In the US after a smaller rye for grain crop in 2017 the USDA reported a 15% decrease in total rye stocks as of June 1, 2018. However there is a wide variation in stock position as producer stocks had decreased by 58% while commercial stocks are 34% higher. The large US commercial position will slow down prices for the beginning of the Canadian new crop.

For 2018-19, seeded area is forecast to decrease by 6% to 136,000 hectares from 2017-18 which is very close to both the previous five and 10-year averages. Production is forecast to decrease 7% due to the lower seeded area and a forecast for average rates of abandonment and yield. Continuing high carry-in stocks will partially offset the decrease in production as total supply is forecast to decrease by 8% to 0.45 Mt. Total domestic use is forecast to decrease by 16% due to lower livestock feeding and flat industrial use. Exports are forecast to increase by 12% due to the good supply and a recovery in US rye grain demand. Rye carry-out stocks are forecast to decrease by 20% to 0.12 Mt but remain well above previous ten-year average. Canadian rye prices are forecast to increase given a forecast for a smaller North American rye crop and total supply.

The decrease in Canada's 2018 rye area was generally consistent across Western Canada at an average decline of 19% while Eastern Canada continues to expand its rye area, up 18% for 2018. Up until the past five years, Eastern Canada was maintaining about a 17% share of Canada's total rye seeded area. Since 2014, it has increased its area each year and now in 2018 represents over 45% of Canada's total rye seeded area. The strong growth in craft brewers, distillers and millers is driving the local and international demand for rye grain.

The US will again be harvesting a larger rye crop for 2018 since it is expecting a major increase in rye harvested area. Generally the US has a much higher rate of abandonment rate than Canada as the majority goes for green feed.

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Canola

For 2017-18, the estimate for canola supplies remains unchanged from last month, at 22.8 million tonnes (Mt), on the slow pace of imports. The estimate for domestic processing is also unchanged from last month, showing a decline in the yearly crush to 9.1 Mt although a pick-up in the crush pace in the last two months may warrant an upward revision in crush in future releases of the Supply and Disposition report.

Exports are forecast to decline from 2016-17 with the Canadian Grain Commission reporting an export pace 0.6 Mt behind last year. Carry-out stocks are estimated at 2.7 Mt up from the 1.3 Mt for 2016-17. These increased stocks are expected to dampen any mid-summer weather driven market rallies. Canola prices are forecast at $525-555/t for 2017-18, slightly higher than last year.

For 2018-19, seeded area in Canada is forecast to decrease to 9.2 million hectares (Mha) from 9.3 Mha last year. Canola area in Saskatchewan is expected to fall by 4% versus 2% in Alberta. In Manitoba, the area seeded is expected to increase by 8%.

The crop outlook continues to be favourable as growing conditions improved slightly on scattered rains: Alberta canola conditions were rated 76% good-to-excellent near the end of June while canola in Saskatchewan is rated 67% good-to-excellent and only 7% of the province's canola crop is rated poor to very poor. Crop development is 93% normal to ahead of normal indicating an early harvest if normal weather conditions prevail.

The moisture conditions remain variable across the western Canadian canola belt and tend to be on the dry side. Despite zones of dryness across western Canada, normal or just below normal yields are expected. Nevertheless, the evolution of the crop will continue to be closely monitored.

Production is forecast to be the second highest on record, at 20.3 Mt, down by about 1.0 Mt from last year's record of 21.3 Mt, assuming normal area abandonment and 5-year average yields of 2.2 t/ha. Production in Manitoba is forecast at 3.0 Mt, Saskatchewan at 10.6 Mt and Alberta at 6.5 Mt.

Total supplies of canola are forecast to rise from last year, setting a new record of 23.1 Mt, as the decline in output was more than offset by the sharp rise in carry-in stocks. Exports are forecast to increase by 6% to 11.5 Mt on steady to strong world demand for Canadian canola and ample domestic supplies. Exports will be limited by competition from burdensome world oilseed, protein meal and vegetable oil supplies. Domestic crush is forecast to increase slightly at 9.2 Mt with the industry expected to operate at near full capacity.

Carry-out stocks are forecast at 2.3 Mt for a stocks-to-use ratio of 11%. Canola prices are forecast moderately lower, at $510-550/t, on support from stable world oilseed and vegetable oil prices.

Flaxseed

For 2017-18, supplies are estimated to decrease to 0.81 Mt due to lower output and tighter carry-in stocks. Exports are forecast to fall to 0.45 Mt while total domestic use increases to 0.19 Mt on higher feed, waste and dockage. Carry-out stocks are forecast to decrease to 0.17 Mt. Flaxseed prices are estimated at $445-475/t, up marginally from 2016-17.

For 2018-19, seeded area for flaxseed in Canada is estimated down, at 0.36 Mha, based on Statistics Canada's Seeded Area Survey. Production is forecast to decrease slightly, to 0.55 Mt, assuming normal abandonment and five-year average yields. Supply is forecast to decrease on lower output and lower carry in stocks.

Exports are optimistically forecast to rise to 0.60 Mt while total domestic use falls sharply due to a drop in feed, waste and dockage. Carry-out stocks are forecast to fall 50% to 0.09 Mt with a stocks-to-use ratio of 13%. The midpoint of the flaxseed price range is expected to remain stable at $440-480/t.

Soybeans

For 2017-18, supplies are estimated at a record 8.6 Mt, following a sharp rise in production and increased imports. Exports are forecast at a record 4.6 Mt, up from 4.4 Mt in 2016-17 on ample domestic supplies, a wide basis and the low value of the Canadian dollar. China is the major buyer of Canadian soybeans for the crop year to-date. The export estimates do not include any possible impact arising from a possible US-China trade dispute.

Domestic processing of soybeans is forecast to rise marginally from last year to 1.85 Mt, as a result of strengthening soymeal prices. Feed, waste and dockage is forecast at a record 0.88 Mt. Carry-out stocks are projected at 1.0 Mt, which, while a record high, are not considered burdensome. Soybean prices are forecast to fall to $430-460/t versus $454/t for 2016-17.

For the remainder of the crop year, the main factors to watch are: (1) developments in ongoing US-China trade negotiations and a possible escalation in retaliatory tariffs, (2) US crop conditions, (3) US export sales pace, (4) South American shipping pace and (5) fluctuations in exchange rates.

For 2018-19, planted area is forecast to fall by 13%, to 2.6 Mha, a reversal of the long-run trend of steadily increasing area in Canada. The decline is due to: (1) attractive wheat prices, (2) dry weather across Western Canada where most of the decline occurs, and (3) burdensome world soybean supplies.

Production is forecast to fall by 8%, to 7.1 Mt, as the decline in harvested area more than offsets the increase in yields based on a five-year average. Total supply is forecast to decrease slightly to 8.5 Mt as the decline in output is more than offset by the sharp rise in carry-in stocks. Exports are forecast to rise to a record 5.3 Mt, with shipments headed to a diverse group of countries. Domestic processing is forecast to rise to 1.9 Mt, slightly under the record pace set in 2015-16. Carry-out stocks are forecast to fall by 20% to 0.80 Mt, the second highest level on record.

Soybean prices are forecast to increase slightly to $430-470/t on support from higher US prices and the discount of the Canadian dollar against the American dollar.

For 2018-19, US soybean area is estimated at 89.1 million acres (mln ac) vs 90.1 mln ac for 2017-18 and the 5 year average of 85.7 mln ac. The top three growing states in the US account for 32% of America's soybean area, at 10.9 mln ac, 9.8 mln ac and 7.7 mln ac for Illinois, Iowa and Minnesota respectively. Across the US seeded area decreased by 1.0 mln ac from last year as farmers planted 4% more wheat, but 1% less corn due to the respective crop prices.

Based on the USDA's estimated soybean yield of 48.5 bu/ac, 2018-19 US soybean production is expected to top 4.31 billion bushels (bln bu), vs the current estimate of 4.28 bln bu and the 4.39 bln bu produced in 2017-18. Despite the expected rise in supplies to about 4.86 bln bu, most of the change is expected to be reflected in ending stocks which will rise by 27 million bushels (mln bu), to 442 mln bu as domestic crush and exports remain stable.

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Dry Peas

For 2017-18, Canada's exports are expected to fall by 32% from the 2016-17 level to 2.7 million tonnes (Mt). This has been largely due to a lack of demand from India. However, this has been partly offset by record exports to China and the US. Carry-out stocks in Canada are expected to rise significantly due to the lower export pace but have been partly offset by higher domestic use. The average dry pea price is expected to fall from 2016-17. Lower yellow pea prices have been partly offset by higher green and feed pea prices.

The prices of yellow dry peas are expected to maintain a $40/t crop year premium to green dry peas compared to a $6/t discount in 2016-17. During the month of June, Saskatchewan yellow pea farmgate prices were unchanged while green pea prices fell $5/t. This was largely due to the expectation that there will be an increase in Canadian green pea production for 2018-19.

For 2018-19, dry pea seeded area in Canada decreased to 1.46 million hectares (Mha), down 12% from 2017-18 despite good returns relative to other crops and continued recognition of the benefits of dry peas as part of crop rotation plan. Saskatchewan accounts for 54% of the dry pea area, Alberta for 42%, with the remainder seeded in Manitoba, British Columbia and eastern Canada. Production is forecast to fall by 12% to 3.6 Mt due to the expectations of similar yields combined with a confirmed lower area. However, supply is forecast to fall marginally to 4.3 Mt due to the higher carry-in stocks combined with a decrease in production. Exports are forecast to rise to 2.8 Mt, with China, Bangladesh and the US continuing to be Canada's top markets. Carry-out stocks are forecast to fall and be slightly lower than the five and ten year averages. The average price is expected to fall from 2017-18, due primarily to expectations for an increase in world supply.

In the US, area seeded to dry peas for 2018-19 is forecast by the USDA to fall by 22% from 2017-18 to below 0.9 million acres. This is largely due to an expected fall in area in Montana and North Dakota. Assuming normal yields and abandonment, US dry pea production is forecast by AAFC to rise by 8% to 0.7 Mt. The US has been successful in exporting small amounts of dry peas to common Canadian export markets in China and the Philippines and it is expected the US will continue to expand its market share in 2018-19.

Lentils

For 2017-18, lentil exports are forecast to fall significantly to 1.5 Mt. Of this total, 0.75 Mt are red lentil types with the remaining 0.75 Mt consisting of the green lentil types. The main markets are now Turkey, the United Arab Emirates, the EU and Mexico. Total domestic use is forecast to be relatively unchanged at 0.6 Mt. Carry-out stocks are forecast to rise sharply to 0.8 Mt. The average price for all types and grades is forecast to be sharply lower than the previous year for all lentil types.

Large green lentil prices are expected to maintain a large premium ($325/t) over red lentil prices. During the month of June, Saskatchewan large green lentil farm gate prices fell $5/t and red lentil farm gate prices have fallen $25/t. This is largely due to good lentil crop development conditions in Saskatchewan and Alberta, including the confirmation of a higher than expected Canadian lentil seeded area by Statistics Canada for 2018.

For 2018-19, Canadian lentil seeded area decreased to 1.5 Mha, due to lower forecasted returns compared to other crops. This is a 14% fall in seeded area from 2017-18, with the majority of the decrease in red lentil types. By province, Saskatchewan accounts for 89% of the lentil area, with the remainder seeded in Alberta, Manitoba and British Columbia. Production is forecast to decrease by 7% to 2.4 Mt, with supply increasing by 11% due to higher carry-in stocks. Exports are forecast to rise to 1.8 Mt. Carry-out stocks are forecast to rise to over 0.8 Mt due to higher total supply. The average price for all grades and types is forecast to fall from 2017-18 due to the Canadian and world supply. There is an expectation that import demand in the Indian subcontinent will continue to be similar to 2017-18.

In the US, the area seeded to lentils for 2018-19 is forecast by the USDA at below 0.8 million acres, down 29% from 2017-18 due to lower area seeded in Montana and North Dakota. Assuming normal yields and abandonment, 2018-19 US lentil production is therefore forecast by AAFC at 420 thousand tonnes (kt), up sharply from the previous year. The main US export markets for lentils are expected to continue to be Canada, the EU and Mexico.

Dry Beans

For 2017-18, dry bean exports are expected to be slightly higher than 2016-17 due to the larger Canadian supply. The US and the EU remain the main markets for Canadian dry beans, with smaller volumes exported to Japan and Mexico. Larger North American supply has pressured overall US and Canadian dry bean prices for the majority of 2017-18 crop year, particularly black, Great Northern, pinto and white pea bean prices.

For 2018-19, the area seeded in Canada decreased 10% from 2017-18 to 122 thousand hectares (kha). By province, Ontario accounted for 25% of the dry bean area, Manitoba 45%, Alberta 19%, with the remainder seeded in Saskatchewan, British Columbia and eastern Canada. Production is forecast to fall to 0.27 Mt, and supply is expected to fall by 8%, despite higher carry-in stocks. Exports are forecast to be lower. As a result, carry-out stocks are also expected to be 25% lower. The average Canadian dry bean price is forecast to rise due to lower expected supply in North America.

In the US, area seeded to dry beans is forecast by the USDA to fall to below 1.2 million acres due to lower area seeded in North Dakota and Nebraska. Assuming normal yields and abandonment, 2018-19 US total dry bean production (excluding chickpeas) is therefore forecast by AAFC at 940 kt, a decrease of 28% from 2017-18.

Chickpeas

For 2017-18, Canadian chickpea exports are expected to rise sharply to 130 kt. This is due to increased import demand from Pakistan, the EU, Turkey and the US. Carry-out stocks are also expected to remain tight and unchanged from the previous year. The average price is forecast to decrease from the record prices in the previous year, but remain well above the five and ten year averages, due to lower Canadian and world stocks.

For **2018-19**, the area seeded more than doubled from 2017-18 due to the high farmgate prices received in the previous two years. Saskatchewan is expected to account for 84% of the chickpea area, with the remainder in Manitoba, Alberta and British Columbia. Production is forecast by AAFC at 335 kt, due to higher seeded area and expected yields. Supply is forecast to rise sharply from last year. Exports are forecast to rise and carry-out stocks are forecast to increase dramatically. The average price is forecast to fall, due to a larger world supply, with the expectation of an average grade distribution.

US chickpea area for 2018-19 is forecast by the USDA to rise to a record 0.66 million acres, up 7% from 2017-18. This is largely due to an expected rise in area in Montana. Assuming normal yields and abandonment, US chickpea production is forecast by AAFC at a record 425 kt, a 36% increase from the previous year. The US is expected to continue to expand its market share in the EU, Turkey and Pakistan.

Mustard Seed

For 2017-18, Canadian mustard exports are forecast at 125 kt, similar to the previous year. The US and the EU have been the main export markets for Canadian mustard seed. Carry-out stocks are forecast to fall sharply. Prices are forecast to rise in 2017-18 due to smaller carry-out stocks, particularly for yellow and brown types.

For 2018-19, the area seeded rose 31% to 204 kha, due to higher yellow and brown mustard seed prices from the previous year. By province, Saskatchewan accounts for 75% of the mustard seed area, with the majority of the remainder seeded in Alberta and Manitoba. Due to the rise in area and expectations for average yields, production is forecast to increase by 60% to 195 kt. Supply is expected to rise by only 14%, however, due to lower carry-in stocks. Exports are expected to be unchanged at 125 kt and carry-out stocks are forecast to rise sharply. The average price is forecast to rise from 2017-18.

Canary Seed

For 2017-18, the EU and Mexico have been the main markets, followed by the combined imports by countries in South America. Carry-out stocks are expected to remain tight. The average price is forecast to decrease from prices in the previous year.

For 2018-19, the area seeded fell by 17%, to 86 kha, despite solid returns relative to other crops and lower carry-in stocks. Production is expected to decrease by 20% to 110 kt. Supply is forecast to decrease as well. Exports are expected to be limited by supply and fall. Carry-out stocks are expected to remain tight. The average price is forecast to fall from the 2017-18 level.

Sunflower Seed

For 2017-18, exports of sunflower seed are forecast to fall to 15 kt due to decreased demand from the US. As a result, carry-out stocks are expected to rise. The US and Japan have been Canada's main export markets for sunflower seed. The average Canadian price for sunflower seed is forecast to rise from 2016-17, due to higher prices for confectionery-type seed.

For 2018-19, the area seeded rose by 21% to 32 kha, due to higher expected returns compared to other crops. Production is forecast to rise marginally to 60 kt but supply is expected to rise sharply to 125 kt, compared to 2017-18. Exports are expected to increase and carry-out stocks are forecast to rise. The average price is forecast to rise marginally from 2017-18 due to expectations for a similar North American sunflower seed supply. Stronger oil type prices are anticipated along with higher confectionery prices in the US and Canada.

US sunflower seed area for 2018-19 is forecast by the USDA to rise to 1.46 million acres, up marginally from 2017-18, largely due to higher area in South Dakota, the largest sunflower seed growing state. The area seeded to oil type varieties is expected to increase to over 1.3 million acres and the area seeded to confectionery type varieties is forecast to decrease to below 0.15 million acres. Assuming normal yields and abandonment, 2018-19 total US sunflower seed production is forecast by AAFC to increase marginally but remain below 1.0 Mt.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

July 19, 2018

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (d)	Feed, Waste & Dockage	Total Domestic Use (e)	Carry-out Stocks	Average Price (g)
	thousand ha		*t/ha*	*thousand tonnes*								*$/t*
Durum												
2016-2017	2,469	2,333	3.33	7,762	11	8,873	4,534	174	2,099	2,476	1,863	275
2017-2018f	2,106	2,088	2.38	4,962	5	6,830	4,500	175	529	930	1,400	260-270
2018-2019f	2,503	2,455	2.48	6,100	5	7,505	4,800	180	505	905	1,800	240-270
Wheat Except Durum												
2016-2017	7,156	6,643	3.67	24,378	99	28,555	15,621	3,262	3,969	7,961	4,973	235
2017-2018f	7,020	6,895	3.63	25,022	70	30,065	17,600	3,200	3,744	7,765	4,700	235-245
2018-2019f	7,564	7,359	3.33	24,500	90	29,290	17,500	3,280	3,681	7,790	4,000	225-255
All Wheat												
2016-2017	9,625	8,976	3.58	32,140	110	37,428	20,155	3,436	6,068	10,437	6,836	
2017-2018f	9,126	8,983	3.34	29,984	75	36,895	22,100	3,375	4,273	8,695	6,100	
2018-2019f	10,068	9,814	3.12	30,600	95	36,795	22,300	3,460	4,186	8,695	5,800	
Barley												
2016-2017	2,702	2,266	3.90	8,839	64	10,346	2,322	86	5,614	5,902	2,122	169
2017-2018f	2,334	2,114	3.73	7,891	100	10,113	2,825	135	5,943	6,288	1,000	220-230
2018-2019f	2,630	2,330	3.65	8,500	125	9,625	2,400	136	5,874	6,225	1,000	215-245
Corn												
2016-2017	1,452	1,414	9.83	13,889	831	16,962	1,286	5,187	8,290	13,489	2,187	171
2017-2018f	1,447	1,406	10.02	14,095	1,500	17,782	1,650	5,200	8,469	13,682	2,450	165-175
2018-2019f	1,470	1,440	10.07	14,500	1,000	17,950	1,400	5,300	9,136	14,450	2,100	165-195
Oats												
2016-2017	1,232	925	3.49	3,231	21	4,219	2,304	125	979	1,212	703	209
2017-2018f	1,295	1,049	3.55	3,724	20	4,447	2,325	180	857	1,147	975	215-225
2018-2019f	1,235	1,000	3.46	3,460	20	4,455	2,400	180	814	1,105	950	225-255
Rye												
2016-2017	186	140	3.12	436	1	488	145	48	118	179	164	115
2017-2018f	144	97	3.34	324	1	488	163	49	113	175	150	150-160
2018-2019f	136	103	2.91	300	0	450	183	49	84	147	120	155-185
Mixed Grains												
2016-2017	177	62	2.83	175	0	175	0	0	175	175	0	
2017-2018f	123	54	2.77	149	0	149	0	0	149	149	0	
2018-2019f	144	65	2.85	185	0	185	0	0	185	185	0	
Total Coarse Grains												
2016-2017	5,749	4,805	5.53	26,571	916	32,189	6,057	5,445	15,175	20,957	5,176	
2017-2018f	5,342	4,720	5.55	26,184	1,621	32,980	6,963	5,564	15,531	21,442	4,575	
2018-2019f	5,615	4,938	5.46	26,945	1,145	32,665	6,383	5,665	16,093	22,112	4,170	
Canola												
2016-2017	8,411	8,263	2.37	19,599	95	21,785	11,016	9,191	162	9,420	1,348	529
2017-2018f	9,307	9,266	2.30	21,313	100	22,761	10,800	9,100	110	9,261	2,700	525-555
2018-2019f	9,203	9,189	2.21	20,335	100	23,135	11,500	9,200	134	9,385	2,250	510-550
Flaxseed												
2016-2017	381	342	1.73	591	17	887	500	0	128	147	240	458
2017-2018f	421	419	1.33	555	10	805	450	0	167	185	170	445-475
2018-2019f	358	353	1.54	545	10	725	600	0	20	40	85	440-480
Soybeans												
2016-2017	2,269	2,232	2.96	6,597	482	7,459	4,419	1,832	546	2,680	359	454
2017-2018f	2,947	2,935	2.63	7,717	550	8,626	4,600	1,850	876	3,026	1,000	430-460
2018-2019f	2,558	2,542	2.79	7,100	400	8,500	5,300	1,900	300	2,400	800	430-470
Total Oilseeds												
2016-2017	11,061	10,837	2.47	26,787	594	30,130	15,935	11,024	836	12,248	1,947	
2017-2018f	12,674	12,620	2.34	29,585	660	32,192	15,850	10,950	1,153	12,472	3,870	
2018-2019f	12,118	12,084	2.32	27,980	510	32,360	17,400	11,100	454	11,825	3,135	
Total Grains And Oilseeds												
2016-2017	26,435	24,618	3.47	85,497	1,620	99,747	42,147	19,905	22,079	43,641	13,959	
2017-2018f	27,142	26,323	3.26	85,753	2,356	102,067	44,913	19,889	20,957	42,609	14,545	
2018-2019f	27,801	26,836	3.19	85,525	1,750	101,820	46,083	20,225	20,733	42,632	13,105	

(a) Crop year is August-July, except corn and soybeans, for which the crop year is September-August.
(b) Imports exclude products.
(c) Exports include grain products but exclude oilseed products.
(d) Food and Industrial use for soybeans is based on data from the Canadian Oilseed Processors Association.
(e) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use + Loss in Handling
(g) Crop year average prices: Wheat (No.1 CWRS, 13.5% protein) and Durum (No.1 CWAD, 13% protein), both are average Saskatchewan producer spot prices. Barley (No. 1 feed, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBOT nearby futures); Rye (No. 1 CW, cash, I/S Saskatoon); Canola (No. 1 Canada, cash, Track Vancouver); Flaxseed (No. 1 CW, cash, I/S Saskatoon); Soybeans (No. 2 CE, cash, I/S Chatham).

Source: Statistics Canada (STC), f: forecast by AAFC except for area, yield and production for 2017-18 and area seeded for 2018-19 which are STC.

CANADA: PULSES AND SPECIAL CROPS SUPPLY AND DISPOSITION

July 19, 2018

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (c)	Carry-out Stocks	Stocks-to-Use Ratio	Average Price (d)
	thousand ha		*t/ha*	*thousand tonnes*						%	*$/t*
Dry Peas											
2016-2017	1,733	1,677	2.88	4,836	32	5,042	3,944	798	301	6	300
2017-2018f	1,656	1,642	2.50	4,112	12	4,425	2,700	1,025	700	19	260-270
2018-2019f	1,458	1,430	2.52	3,610	15	4,325	2,800	1,115	410	10	220-250
Lentils											
2016-2017	2,254	2,221	1.44	3,194	98	3,365	2,455	595	315	10	575
2017-2018f	1,783	1,774	1.44	2,559	40	2,914	1,500	614	800	38	475-485
2018-2019f	1,525	1,500	1.58	2,375	50	3,225	1,800	600	825	34	420-450
Dry Beans											
2016-2017	129	118	2.11	249	91	355	337	16	2	1	885
2017-2018f	135	131	2.45	322	95	419	355	24	40	11	730-740
2018-2019f	122	119	2.23	265	80	385	330	25	30	8	765-795
Chickpeas											
2016-2017	62	44	1.86	82	27	129	108	16	5	4	1,000
2017-2018f	68	68	1.35	92	55	152	130	17	5	3	950-960
2018-2019f	190	185	1.81	335	8	348	135	63	150	76	620-650
Mustard Seed											
2016-2017	206	195	1.21	236	7	248	124	44	80	48	660
2017-2018f	156	153	0.80	122	7	209	125	44	40	24	770-780
2018-2019f	204	198	0.98	195	2	237	125	47	65	38	790-820
Canary Seed											
2016-2017	105	95	1.48	140	0	175	153	2	20	13	485
2017-2018f	103	103	1.33	137	0	157	150	2	5	3	460-470
2018-2019f	86	83	1.33	110	0	115	105	5	5	5	440-470
Sunflower Seed											
2016-2017	28	28	1.84	51	29	95	18	52	25	36	565
2017-2018f	26	26	2.26	58	20	103	15	53	35	52	585-595
2018-2019f	32	31	1.94	60	30	125	25	50	50	67	585-615
Total Pulses and Special Crops (c)											
2016-2017	4,517	4,377	2.01	8,788	284	9,409	7,138	1,523	748	9	
2017-2018f	3,927	3,897	1.90	7,402	229	8,378	4,975	1,778	1,625	24	
2018-2019f	3,616	3,546	1.96	6,950	185	8,760	5,320	1,905	1,535	21	

(a) Crop year is August-July. Grains include pulses (dry peas, lentils, dry beans, chick peas) and special crops (mustard seed, canary seed, sunflower seed).
(b) Imports and exports exclude products.
(c) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use + Loss in Handling
(d) Producer price, FOB plant, average over all types, grades and markets.
Source: Statistics Canada (STC) and industry consultations. **f:** forecast by AAFC except for area, yield and production for 2017-18 and area seeded for 2018-19 which are STC.